

IRS *e-file*

Frequently Asked Questions

What is *e-file*?

e-file allows taxpayers and tax preparers to file federal and most state tax returns electronically through software programs or online. Software programs are available for purchase in stores and through online companies. Most tax preparers use software, too.

To *e-file*, taxpayers or preparers enter tax information into the tax software program. The software checks for completeness and math errors then transmits the return electronically to the IRS via modem, broadband and Internet connection.

Electronically preparing and filing your taxes can be free if you go to IRS.gov and select Free File. Free File now offers two completely free options to electronically prepare and file your tax return.

If your adjusted gross income was \$56,000 or less in 2008, you are eligible to electronically prepare and file your taxes at IRS.gov for free with Free File. Free File is a partnership with the Internal Revenue Service (IRS) and a group of leading industry tax preparation software companies called the Free File Alliance, Inc.

A new Free File option is available this year. Taxpayers can now complete their tax returns using a fillable electronic tax form on IRS.gov. Taxpayers complete the form, an electronic version of the paper form, by entering the numbers they would write on their paper form. The electronic form calculates the math. When complete, taxpayers simply send the form electronically directly to the IRS.

Is there a charge to *e-file*?

This year, some tax software companies have waived the fee for filing, so taxpayers should shop around. Taxpayers should check with their software provider about fees.

What are the benefits of using *e-file*?

e-file is growing in popularity each year with almost 90 million tax returns submitted electronically in 2008. It offers so many more benefits than filing with a paper return:

- ▶ Greater accuracy. The error rate is less than 1 percent, reducing the possibility that taxpayers will receive an error letter from the IRS.
- ▶ Faster refund - in as little as 10 days with Direct Deposit.
- ▶ File Now. Pay Later. Taxpayers can electronically file their returns and pay by April 15th.
- ▶ Allows federal and state returns (for most states) to be filed at the same time.
- ▶ Email acknowledgement typically within 24 hours of submission of receipt of tax return.
- ▶ Saves paper. *e-file* saves a lot of paper. In the past ten years, the IRS has steadily decreased the number of tax packages mailed each year by over 36 million due to *e-file*—and that benefits all of us.
- ▶ Safe and secure. With multiple state-of-the-art security systems in place, you'll know your privacy is protected.
- ▶ Easy to use.

Does a taxpayer receive the same benefits if they use tax preparation software then print and mail the return to the IRS?

No. Forms that are electronically prepared, but then printed and mailed, are treated the same as forms prepared by hand. The IRS must re-key the information, which can result in transcription errors. Also, it takes weeks longer for the IRS to contact paper filers about errors or provide a tax refund.

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Do taxpayers need to submit Forms W-2, W-2G, W-2GU and Form 1099-R to the IRS?

No. The requirement to attach Forms W-2, W-2G, W-2GU and Form 1099-R has been eliminated for electronically filed returns. However, taxpayers should keep records of these attachments with a copy of their tax return.

How do taxpayers sign their return if they use *e-file*?

Taxpayers will no longer be allowed to submit a paper form to sign their electronically filed return. Starting this year, the only way taxpayers will be allowed to sign their *e-file* return is with a Personal Identification Number (PIN). This PIN is a self-selected five digit number that taxpayers will need to verify with the IRS by providing the previous year's Adjusted Gross Income (AGI) or a PIN used to sign last year's return.

Why are returns more accurate when they are e-filed?

There are several reasons:

- ▶ As part of the transmission process, e-filed returns are automatically checked for common errors. This is in addition to software checks. If there is an error or missing information, the IRS will send back the return and allow the taxpayer or tax professional to make the changes and resubmit the form.
- ▶ Data can be saved from year to year, dramatically reducing the chance of transcription errors.
- ▶ Data goes into the IRS system exactly as it was submitted. No re-keying of information is necessary.

Is there a greater chance that *e-file* returns will be audited?

No. There is no greater chance of being audited if taxpayers e-file.

Why do refunds come more quickly with *e-file*?

Because data goes directly into the system, it speeds up the processing time for each tax return. And if taxpayers elect to have their refunds deposited directly into their bank account, the time it takes to receive a refund is dramatically decreased from weeks to as little as 10 days.

How can taxpayers pay electronically if they owe?

If there is a balance due on the tax return, taxpayers can still e-file and then schedule a payment for the tax due date. Payments can be made via automated withdrawal from a checking account, by credit card or by enrolling in the Treasury's free Electronic Federal Tax Payment System (EFTPS) to make the balance due payment and any subsequent estimated tax payments electronically (by phone or online).

Which tax professionals can e-file taxes on behalf of clients?

Tens of thousands of tax professionals nationwide are "Authorized *e-file* Providers." Taxpayers can check with their tax professional or visit **IRS.gov** to find one in their area.